

# **J. C. PENNEY COMPANY**

A DELAWARE CORPORATION

*Operating  
Fourteen Hundred  
Ninety Six Stores*

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## **FINANCIAL STATEMENT**

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*December 31, 1936*

February 27, 1937.

TO THE STOCKHOLDERS OF  
J. C. PENNEY COMPANY:

I feel sure that your review of the accompanying Balance Sheet and the report of 1936 operations of J. C. Penney Company and its wholly owned subsidiaries, which I herewith submit, will further confirm your confidence in the financial stability of your company and that the result of operations for the past year will indeed bring you satisfaction.

Generally improved business conditions contributed to the opportunity for expanding the company's sales. Sales for the year again reached a new peak. This result was obtained almost entirely through expanded volume in established stores rather than new stores opened during 1936. At the year-end, the total number of stores operated by the company was 1,496, representing an increase of 15 over the prior year-end.

For obvious reasons, the quarterly dividends of the company were supplemented by a year-end extra, making an aggregate of dividends approximating the company's calendar year earnings. It is the management's opinion, considering all the factors involved, that the total distribution was warranted and that working capital remains ample to meet the needs.

In accordance with the authorization given by the stockholders at their special meeting of November 20, 1936, called for such purpose, filing of registration statement was made with the Securities and Exchange Commission for the issuance to eligible employees of 75,000 shares of Common Stock. The effective date of the filing was December 23, 1936, and such shares are, of course, in process of being issued. As explained in the notice of the special meeting, the company, over a period of years, has endeavored to foster ownership of its shares by associates and the issuance continues a long established practice. It is strongly felt that such ownership and resulting participation in company earnings has been one very important factor in the growth, development, and personnel morale of the company. In preparing year-end Balance Sheet and report of operations, effect was given to this issuance because of the immediate factors involved and for the purpose of presenting the working position of the company.

The ratio of current assets to current liabilities was in excess of 4 to 1 and with an ample cash balance reflects what is considered to be a strong operating position.

The merchandise inventory, in our opinion, represents a well-balanced stock soundly in line with requirements.

Net profits available to the Common Stock, after giving effect to the shares in process of issue previously referred to, were equivalent to \$7.36 per share, or a total company profit of \$18,712,488.45.

This compares with \$15,001,488.58 for 1935, equivalent to \$6.08 per share for the 2,468,984 shares issued at that year-end.

Increased national buying power made it possible for the management, by concentrating attention on profitable, individual store operations, to attain the increase in profits, which profits it is felt were maintained in a consistent ratio to the year's sales volume.

We feel that the morale as it at present prevails in the ranks of the company's employees, combined with what is considered to be a liberal and justified salary scale, supplemented by opportunities for individual advancement, and in many instances by immediate opportunity to share in the earnings of the company, warrants an encouraging outlook.

Present plans call for continued but not intensive effort in the direction of expansion of the number of units operated by the company where it is possible to obtain new locations on what experience has proven to be a sound operating rental, and where the immediate and future outlook and available man power appear to justify such contemplated operation.

After a review of the figures presented in the accompanying statements, I feel sure that the stockholders will share the appreciation of the directors for the efforts of the entire group of associates in the stores and central offices of this company. It appears particularly fitting at this time to acknowledge the loyalty of this group. Our hope and expectation is that this same loyalty and the interest of the workers within this company will continue and will merit and receive adequate recognition while serving the best interests of both our stockholders and our customers.

Respectfully submitted,

E. C. SAMS, President.

## BALANCE SHEET

As at December 31, 1936

ASSETS

## Current Assets:

Cash in Banks and on Hand	\$ 12,703,766.57*
Accounts Receivable — Trade and Miscellaneous	377,707.66
Merchandise — as determined by responsible officials on the basis of physical inventories stated at the lower of cost or market	52,760,015.03
Total Current Assets	<u>65,841,489.26</u>

## Investments in and Advances to Subsidiary Companies (including undistributed surplus) — at amounts as shown by Subsidiaries' Balance Sheets:

Advances	\$ 5,590,000.00	
Capital Stock and Surplus	<u>239,246.26</u>	5,829,246.26
Mortgages Receivable		55,309.80

## Fixed Assets — at net sound values based on estimated replacement cost at December 31, 1932 plus subsequent additions at cost:

Land and Buildings	2,346,024.95	
Less Reserve for Depreciation	<u>269,032.78</u>	
	2,076,992.17	
Furniture and Fixtures, less Provision for Depreciation	6,095,882.84	
Improvements to Leaseholds, less Amortization	<u>1,802,265.45</u>	9,975,140.46

## Deferred Charges — Unexpired Insurance Premiums, Rent Advances, etc.

625,632.78  
\$ 82,326,818.56

## NOTES:

\*Stockholder authorization of proposed issue and effective date of Registration Statement with Securities Commission were both prior to December 31, 1936—but actual issue to be subsequent thereto.

\*After deducting employees' contract compensation due at December 31, 1936 but paid subsequent to that date, the selling price of 75,000 shares of Common Stock deductible therefrom.

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AWARE CORPORATION

## ANCE SHEET

ecember 31, 1936.

### LIABILITIES

#### Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 11,527,740.59
Provision for Federal Taxes on Income	3,377,787.37
Total Current Liabilities	<u>14,905,527.96</u>

#### Reserve for Fire Losses, etc., and Employees' Death Benefits

2,014,100.90

#### Common Stock, no par:

Authorized, 3,000,000 shares

Issued at December 31, 1936 — 2,468,984  
shares

\$ 23,622,766.67

In process of Issue at December 31, 1936,  
but actually to be issued subsequently  
thereto — 75,000 shares

4,500,000.00

Total Actually Issued and in Process  
2,543,984 shares

28,122,766.67

#### Surplus (Earned):

J. C. Penney Company

37,095,176.77

Undistributed Surplus of Subsidiaries

189,246.26

37,284,423.03

\$ 82,326,818.56

amount with Securities Exchange Com-  
mitment thereto.

paid subsequently thereto, less the

# J. C. PENNEY COMPANY

## *Profit and Loss Account*

*For the Year Ended December 31, 1936.*

(Including Profits of Subsidiaries)

Sales		\$ 258,322,479.00
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items specifically set forth below)	\$ 233,220,655.86	
Maintenance and/Repairs	449,853.63	
Depreciation and Amortization (based on December 31, 1932, reduced book value or cost if acquired subsequently)	1,005,170.90	
Taxes other than Federal Taxes on Income	<u>2,609,343.15</u>	<u>237,285,023.54</u>
		21,037,455.46
Discount on Purchases, Interest Received and Miscellaneous Income (Net)		<u>911,837.89</u>
Net Profit before Provision for Federal Taxes on Income		21,949,293.35
Provision for Federal Taxes on Income:		
Normal Tax	3,269,257.71	
Surtax on Undistributed Profits	<u>48,210.58</u>	<u>3,317,468.29</u>
		18,631,825.06
Add 1936 Profits of Subsidiaries		<u>80,663.39</u>
Transferred to Surplus		<u>\$ 18,712,488.45*</u>
Note:		
*Net Income, as above	<u>\$ 18,712,488.45</u>	
Common Stock, including 75,000 shares in process of issue at December 31, 1936 but actually to be issued subsequently thereto	Shares <u>2,543,984</u>	
Earnings per share of Common Stock, as above	<u>\$ 7.36</u>	

## EARNED SURPLUS ACCOUNT

Surplus at December 31, 1935		\$ 36,245,845.83
Add:		
Not Adjustment of prior years' Federal and State Taxes after allowance for expenses incident thereto — J. C. Penney Company and Subsidiaries	\$ 224,937.50	
Restoration to Earned Surplus of excess over book value of proceeds of balance of 106 shares of Treasury Common Stock sold to employees at approximate cost, after allowance for expenses incident thereto	<u>1,205.75</u>	<u>226,143.25</u>
		36,471,989.08
Add Net Income for 1936		<u>18,712,488.45</u>
		55,184,477.53
Less Cash Dividends:		
Common Stock		<u>17,900,054.50</u>
Surplus at December 31, 1936		<u>\$ 37,284,423.03</u>

To the Directors of the  
J. C. Penney Company  
New York, N. Y.

We have made an examination of the Balance Sheet of the J. C. Penney Company as at December 31, 1936, and of the Profit and Loss and Surplus Accounts for the year 1936. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying Balance Sheet and related Profit and Loss and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at December 31, 1936, and the results of its operations for the year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.

February 27, 1937.

## OFFICERS

J. C. PENNEY

Chairman of the Board

E. C. SAMS	President
LEW V. DAY	Vice-President
W. A. REYNOLDS	2nd Vice-President
J. I. H. HERBERT	3rd Vice-President and Treasurer
A. J. RASKOPF	Secretary
R. W. TROWN	Comptroller

## DIRECTORS

J. C. PENNEY, Chairman

E. C. SAMS	G. H. CROCKER
GEO. H. BUSHNELL	W. A. REYNOLDS
J. I. H. HERBERT	EARL A. ROSS
L. W. HYER	A. W. HUGHES
LEW V. DAY	F. W. BINZEN